



## **CITY OF SCOTTSDALE COMMUNITY DEVELOPMENT BLOCK GRANT HOUSING REHABILITATION GUIDELINES**

The Housing Rehabilitation Program ("Rehabilitation Program" or "Program") provides assistance to homeowners in Scottsdale through owner occupied housing rehabilitation activities. In providing assistance, we are meeting the following locally adopted goals in the use of Community Development Block Grant ("CDBG") funds:

### **Citizen and Neighborhood Resources Department**

The Citizen and Neighborhood Resources Department is at the center of city efforts to preserve and enhance the health, character, integrity and vitality of Scottsdale neighborhoods, a key goal set by the City Council in the fall of 2000.

The new department combines neighborhood functions spread throughout the organization, including residential code enforcement, housing rehabilitation programs, and neighborhood services, safety programs, and planning.

Housing Rehabilitation Assistance is provided through technical assistance and a deferred loan to finance a rehabilitation contract between the applicant and a private contractor. City staff is responsible to see that the City's interests as a funding agency are met. The City staff person who is most directly involved with Rehabilitation Program projects is the Housing Rehabilitation Coordinator. Responsibility for the rehabilitation contract is between the property owner ("Owner") and the contractor ("Contractor") who performs the rehabilitation work.

Date Adopted: March 3, 1997  
2000

Date Amended: September 7,

### **Housing Rehabilitation- Program Operation**

The Housing Rehabilitation Program can provide the following types of assistance:

- Remove structural code ("Code") violations\* in an eligible project.

\* Code violations are considered to be any structural deficiencies that fail to meet adopted building Codes of the City of Scottsdale, or Section 8 Housing Quality Standards (HQS), whichever is greater.

- Remove incipient Code violations\*\* in an eligible project.

\*\* Incipient Code violations are any structural components that appear to be near failure or might soon become a Code violation. The Rehabilitation Coordinator makes this determination.

- Provide special devices and ramps for the elderly and disabled. These include, but are not limited to, ramps, handrails, bathroom safety grab bars, and special permanent fixtures.
- Provide cost-effective energy conservation improvements.

## **Eligibility Standards**

The City of Scottsdale, through the Citizen and Neighborhood Resources Department, provides Housing Rehabilitation Assistance to persons who meet low and moderate-income standards. The City utilizes standards called income eligibility guidelines or low and moderate-income standards. The U.S. Department of Housing and Urban Development ("HUD") mandates these guidelines. They are frequently updated and reflect two income categories based on family size. One is 80% of the Phoenix SMSA median income (moderate income) and the other is 50% (low income.) Eligibility for Housing Rehabilitation Assistance or determination of ineligibility is based on where gross household incomes fall in relation to these income standards. Income qualification is required, even if the applicant is certified as disabled or elderly.

The applicants must have owned their own home and have lived in it as their primary residence for the past year or more immediately prior to being qualified for participation in the Program. Persons who use their home to conduct business or as rental property, in whole or in part, are ineligible to participate in the Program.

There are special requirements for City employees and elected officials and their relatives and for non-profit rehabilitation providers and their relatives. These requirements, which relate to conflicts of interest, include making public disclosure, obtaining a ruling by the City Attorney and submitting materials for review by HUD. In all cases where an apparent conflict of interest exists, HUD will make a finding regarding the eligibility of the applicant. The loan cannot be granted unless approved by HUD.

## **Priorities**

The following two circumstances and conditions constitute the sole reasons for allowing the granting of priority to an applicant in the Housing Rehabilitation Program:

### **Medical Emergencies**

What if repairs are a medical emergency? If the applicant can show evidence by a doctor's written statement that a housing condition is creating a medical emergency, the waiting homeowner may be moved up as a priority on the waiting list. At minimum, a doctor's statement must indicate how correcting a structural condition will improve an urgent medical condition. If the benefit from structural improvement cannot be clearly demonstrated, placement ahead of others on the waiting list will not occur.

### Private Lender Participation

In order to extend the federal resources available to the City for rehabilitation and to encourage homeowner participation in the repair and maintenance of the home, the City will give a priority to income qualified applicants who present a letter from a private lender (bank, savings and loan or credit union) which indicates that they are qualified for a home improvement loan, and that a specified amount of money has been reserved for them.

### **Application Process**

Making application is a two-step process: Pre-Application and Application Certification

#### **I. Pre-Application**

The City maintains a waiting list for Housing Rehabilitation Assistance. Any Scottsdale homeowner may call (480) 312-7647 and ask to receive a Housing Rehabilitation Guidelines information package. With this material the homeowner receives a Pre-Application and income questionnaire for assistance, which must be completed and returned to the Citizen and Neighborhood Resources Department.

When an applicant calls to inquire about the program, the basic income guidelines are discussed. The program Pre-Application Packet and Guidelines are mailed. Preliminary eligibility questions are asked concerning how many members are in the family and the annual gross household income.

When the Pre-Application and income questionnaire are received the Housing Rehabilitation Coordinator processes environmental clearance forms. The application is then placed on a first-come first-served waiting list. The waiting list is first-come first-served unless a priority for assistance has been established by other conditions as defined in these guidelines. No placement is made to the waiting list until the Pre-Application and income questionnaire are completed, signed and returned to the program.

If the Pre-Application indicates the applicant is over the income limits or appears to have a conflict of interest, the applicant will be notified in writing. However, the applicant's name will still be put on the waiting list and further verification will be confirmed when application reaches the top of the wait list.

As each applicant approaches the top of the list, a letter is sent to verify that they are still interested in participating in the rehabilitation of their home. The applicant must contact the Citizen and Neighborhood Resources Department within the specified allotted amount of time to declare a continued interest in the rehabilitation program. If an applicant does not respond their application will be removed from the wait list, however, the applicant may reapply at another time. When an applicant responds with continued interest, an appointment is scheduled for the applicant to attend a Housing Rehabilitation Briefing and an income verification interview.

## II. Application Certification

The Housing Rehabilitation Coordinator will explain the program in detail at the Housing Rehabilitation Briefing. After attending the briefing another appointment will be scheduled for and income verification interview. The purpose of the income verification interview is to determine if the applicants' total gross household income for the upcoming twelve months will qualify within the HUD income guidelines. At the interview, the Housing Rehabilitation Coordinator will complete and income certification worksheet for the total gross household income, including assets. Applicants must bring the following information to the interview:

- a. Documentation on income for the last 12 months on all persons, 18 years of age and older, within the household (i.e. wages, bonuses, social security, welfare payments, alimony, pension, etc.).
- b. Deed to Property
- c. Property tax valuation information
- d. Asset information (i.e. checking and savings accounts, money market accounts, certificate of deposit, dividends from stocks and bonds, IRA, etc.)
- e. Previous years signed tax papers

The Program reserves the right to seek third party verification for income, ownership and household composition. Credit reports may be requested and processed on each person whose property receives major rehabilitation and title reports may be requested and processed on such property. If IRS tax liens or tax certificates are found, this will automatically disqualify the application, unless written satisfaction of lien is presented to The Citizen and Neighborhood Resources Department. Falsification of income is grounds for disqualification and can result in a \$10,000 fine and one year in prison.

### **Pre-Bid**

If the application is approved, an appointment to inspect the home is made with the Housing Rehabilitation Coordinator. The Housing Rehabilitation Coordinator inspects the home for Housing Quality Standards ("HQS") and documents the condition of the home including, but not limited to, roof, exterior/interior paint, HVAC, plumbing, electric, appliances, interior painting, flooring, and fencing, etc. Upon completion of the inspection, the Housing Rehabilitation Coordinator will identify all Code violations, incipient Code violations, cost-effective energy conservation, and special mobility needs for disabled or elderly ("Deficiencies.") The Housing Rehabilitation Coordinator will define all work needed to remedy all Deficiencies ("Scope of Work.") Where required by federal law, the City of Scottsdale will secure a lead-based paint test before the Scope of Work is completed. The cost of the lead-based paint inspection will not be included in the contract price; however, all necessary abatement and/or interim costs will be included.

The Scope of Work is a document used to itemize every item that will be included in the rehabilitation project. This document is used by Rehabilitation Coordinator to obtain bids from licensed general contractors. Neither the homeowner nor the contractor may add to, delete from, or alter the Scope of Work in any manner without the City's

approval. Both the homeowner and contractor are directed to contact the Housing Rehabilitation Coordinator for clarifications connected with the Scope of Work.

An appointment is arranged with the homeowner to review and sign the Scope of Work. Upon approval of the Scope of Work an invitation to bid, which indicates the pre-bid site inspection ("Walk-through") date and bid opening date, are included with the Scope of Work. The Walk-through, which allows general contractors to receive the Scope of Work and inspect the property, is mandatory for submittal of a bid.

Contractors from the City's contractor bid list are invited to attend the Walk-through. The City does not endorse any of the contractors on the bid list; it is merely for the convenience of the homeowner. The Housing Rehabilitation Office notifies all minority contractors and an equal number of non-minority contractors of the project. A special emphasis is placed on the City's Affirmative Marketing Initiative by contacting all minority contractors on the Bidders' List.

All contractors who wish to be on the City's contractor bid list are required to submit their credentials on a yearly basis. A letter is mailed to the contractors in June requesting they submit the following: Registrar of Contractors License, City of Scottsdale Privilege Tax license, and Certificate of Insurance. The Program will not fund a contract if a contractor does not have these items. The Program reserves the right to exclude any contractor who has unresolved complaints with the Registrar of Contractors office. The homeowner may invite his/her selection of general contractors with the understanding that they must show they are qualified contractors by submitting their credentials as stated above.

The homeowner and Housing Rehabilitation Coordinator attend the Walk-through to answer questions and, if necessary, make changes through an addendum which contractors are required to obtain to complete their bids for submission to the Citizen and Neighborhood Resources Department. Contractors are required to submit their sealed bids to The Citizen and Neighborhood Resources Department on a specified date and time, approximately 10 days from the Walk-through. The contractors and homeowner are encouraged to be present at the bid opening. Late bids, faxed bids and unsealed bids will not be opened.

The homeowner and Rehabilitation Coordinator evaluate the bids as submitted. There must be a minimum of three (3) bids for projects over \$1,000. If three bids are not received, the job is advertised in the newspaper and re-bid. The lowest "responsive"<sup>1</sup> contractor is awarded the project unless the homeowner opts to pay the difference between the low bidding contractor and the contractor of their choice, or if the bid is considered non-responsive. If the low bidding contractor declines the project the contract will be offered to the next lowest bidding contractor. If the homeowner chooses to pay the difference, the homeowner writes a check payable to the contractor and submits it to The Citizen and Neighborhood Resources Department. The Citizen and Neighborhood Resources Department retains the check until the first payment is made to the contractor.

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<sup>1</sup> \*"Responsive" means that the contractor has met the contractor qualifications, that the bid has been submitted on time and includes all work, including addenda. Bid must be sealed when submitted.

All contractors are required to provide a two-year warranty on all work performed on rehabilitation activities, as set forth by the Arizona Registrar of Contractors. The homeowner is responsible to contact the contractor for any warranty-related problems. If the homeowner does not feel that the contractor has lived up to warrantee obligations, their appeal is to the Arizona Registrar of Contractors and not to the City of Scottsdale.

### **Deferred Loan Payback**

Housing Rehabilitation assistance is offered in the form of a Deferred Loan, which is made to an eligible low/moderate income household. The maximum loan amount is the lesser of \$23,500 or the amount needed to bring the house to the property rehabilitation standards. The repair costs to remove all Code violations may not exceed 50% of the structure's estimated "as is" value. A security instrument (lien) will be recorded against the property.

- If the property is sold before 36 months from the date of contract completion, repayment of the total cost of the construction contract is required.
- After the date of the third anniversary of the date of contract completion, 50% of the rehabilitation loan will be forgiven. The lien will continue to secure the remaining 50% of the loan until it is repaid at the sale or transfer of the property or earlier, if a refinance will take equity from the property, or as a condition of receiving a future rehabilitation loan from the City.
- If the applicant for the Housing Rehabilitation Loan provides at least 50% of the cost of the rehabilitation contract from private resources, then 100% of the City's rehabilitation loan will be forgiven on the third anniversary of the completion of the job.

### **The Rehabilitation Contract**

A contract cannot be executed until the Housing Rehabilitation Loan has been granted. The Rehabilitation Coordinator must ensure that the homeowner and contractor understand the conditions and obligations of the Housing Rehabilitation Contract. A contract is then executed between the homeowner and the contractor. The City of Scottsdale is not a party to the contract. The Notice to Proceed is processed and signed by the homeowner after a contract is executed. Work shall be started within seven days of the start date on the Notice to Proceed and completed within the specified amount of time. The Housing Rehabilitation Coordinator will perform, at minimum, two progress inspections.

The contractor may request a draw when the work is at least 50% completed. This draw will be subject to a 10% retention, which will be paid, in the final payment to the contractor upon completion of the job. Payments will be made payable to the contractor after signatures are from the homeowner, contractor, Rehabilitation Coordinator and Community Assistance Manager on a payment release form. If the homeowner has paid the difference for the contractor of their choice, the homeowner's check is turned over to the contractor and receipt of payment is added to file. The check from the City of

Scottsdale will be for the difference between the amount of the draw and the amount of the homeowner's check.

Any changes to the contract must be documented by a written Change Order. Only those changes necessary to correct unforeseen Code violations can be paid for with Federal funds. The homeowner, with unsubsidized funds, must pay all other changes.

The Housing Rehabilitation Coordinator will process the Change Order after the contractor submits the document with both Contractor and Owner's signature. The Change Order also requires the signatures of both the Housing Rehabilitation Coordinator and the Housing Development Manager. Change Orders are also required for time extensions. The Change Order is not effective until signed by all of the parties indicated in this paragraph. This means that any work done by the contractor or arrangements made by a homeowner prior to executing a written change are unauthorized and non-binding. Regardless of the situation, the only protection for both the homeowner and contractor is to have all changes executed in writing.

### **Program Checks**

All of the following documents must be completed at various levels of authority including the secretary, Rehabilitation Coordinator, Housing Development Manager, homeowner, contractor and verification authorities (i.e., tax, ownership, homeowner's bank, homeowner's employer).

The homeowner's file will contain at minimum the following:

- File checklist
- Contact sheet
- Applicant request for assistance (Pre-Application)
- Environmental Rehabilitation Review
- Post application correspondence
- All eligibility documentation (e.g. tax returns, ownership, Social Security, deed)
- Computation of income and eligibility
- Application Certification of Information
- Release of Information
- Financial Privacy Notice
- Applicant-signed Bidding Procedures document
- Lead Based Paint Document
- Promissory Note
- Deed of Trust
- Commitment for Title Insurance
- Housing Inspection form
- Priced Scope of Work
- Owner/Contractor Contract
- Notice to Proceed
- Change Orders (if applicable)
- Interim and/or Final Payment Requests
- Certificate of Completion
- Photographs

## **Binding Arbitration**

In the case of any controversy among any of the parties to the contract concerning, but not limited to, the validity, construction, or interpretation of the contract, the parties shall refer such dispute in writing to an arbitrator ("Arbitrator") to be jointly agreed upon, or, failing an agreement, to the American Arbitration Association for referral to a single Arbitrator. The Arbitrator shall promptly determine such dispute and deliver a written decision to each party by personal delivery or certified mail. The City at its sole option may elect to pay the initial arbitration fee. The parties as determined by the Arbitrator shall pay in the amounts and all costs assigned by the Arbitrator. The decision of the Arbitrator shall be final and binding on all parties.

## **Completion and Payment Process**

When the contractor indicates completion and the homeowner concurs, the Rehabilitation Coordinator and another Citizen and Neighborhood Resources staff member will perform a final inspection with the homeowner and the contractor. This inspection is to insure that the quality of the work provides adequate protection for the City's security interest in the property. The homeowner, contractor and Citizen and Neighborhood Resources staff members will sign the Certificate of Completion, which also gives authorization from the homeowner to release the balance of the funds to the contractor. When the invoice is received from the General Contractor, the project file is reviewed by the Rehabilitation Coordinator and the Housing Development Manager for conformance with program standards and adherence to proper procedures.

At minimum, the request for payment will include the contractor invoice, the Housing Rehabilitation Program's request for payment and the Certificate of Completion. The contractor will initial that all warranties have been given to the homeowner. Final payment will be processed and made payable to the contracted General Contractor.

**ALL PERSONS RECEIVING ASSISTANCE UNDER THIS PROGRAM ARE INELIGIBLE TO BE PLACED BACK ON THE PROGRAM WAITING LIST FOR 36 MONTHS FROM THE DATE OF CONTRACT COMPLETION AND THE PROMISSORY NOTE IS COMPLETELY SATISFIED.**



## **HOUSING REHABILITATION QUESTIONS AND ANSWERS**

What is Housing Rehabilitation?

- ... Housing Rehabilitation provides the opportunity for a low- or moderate-income homeowner to have structural Code violations removed from their primary domicile. Fifty percent of the rehabilitation loan is forgiven if the applicant qualifies by his or her income and remains in the home for a minimum of 36 months.

What can a Housing Rehabilitation Loan be used for?

- ... Remove structural Code violations in your home, and correct structural components, which are in danger of failing. It can also be used to install special devices for the elderly and disabled such as grab bars, and access ramps. Cost effective energy efficiency improvements are also eligible. These improvements are called rehabilitation standards.

When would I be required to repay the loan?

- ... Anyone receiving rehabilitation assistance under this program is subject to repayment of the full balance of the loan when they sell, rent, refinance, secure a home equity loan or otherwise move from their home before 36 months from completion of the contract. Fifty percent (50%) of the loan becomes forgivable after the third anniversary of the contract completion date.

How is application made for Rehabilitation?

- ... Simply call in to the Scottsdale Housing Rehabilitation Program at (480) 312-7647. Request the Housing Rehabilitation information package. Complete the Pre-Application attachment, which asks some general questions concerning your total household income, and the total number of household members residing in your home.

- ... When you return the Pre-Application you will be placed on the waiting list. Final eligibility determinations and assistance will occur when we get to your assigned position on the waiting list.

Should you have an urgent situation we can move you ahead of others on the waiting list, but be prepared to prove that you have a priority. Proof may be obtained through a doctor's letter specifying that a medical emergency exists, which threatens the occupants' health and is related to the structural conditions of the house.

- ... Private lender loan letter (if applicable). If you are seeking a priority placement on the waiting list because you are funding part of your rehabilitation through a privately financed home improvement loan, you will need to supply a letter from your lender, telling the City the amount of loan funds you will be receiving for the rehabilitation contract.

Who is responsible for the rehabilitation of my home?

... You are responsible to the City for ensuring that all of the work needed to meet the property rehabilitation standards is completed under a rehabilitation contract between yourself and a licensed general contractor. The City will give you technical assistance, if necessary, but it is your contract.